



## **Facts about Land Conservation Act Properties (Williamson Act)**

The objectives of the California Land Conservation Act of 1965 are to protect agricultural lands for continued production of food and fiber, to protect very limited types of land devoted to open-space and recreational uses, and to prevent the splitting of large acreage parcels into small residential parcels. The act allows agricultural properties entered into contracts to be valued and assessed as agricultural economic units for a period of at least 10 years.

At the end of 2001, San Luis Obispo County had over 807,000 acres in Land Conservation Contracts, which is 38% of the total acreage in the county. The amount of land in San Luis Obispo County that is potentially eligible for the agricultural preserve program based on *open-space* or *recreational* uses, is very small in comparison to land qualifying on the basis of *agricultural* uses. Therefore, this pamphlet focuses on land that qualifies based on agricultural use rather than open-space or recreational use.

### **What are Land Conservation Contracts and How Are They Created?**

A Land Conservation Contract, (also known as a Williamson Act Contract or Open Space Contract), is a contract entered into by and between the property owner(s) and the county to restrict the land to agricultural uses. Land Conservation Contracts (hereafter referred to as LCCs) start out with either 10 or 20-year terms, depending on how close the property is to urban areas. Once a contract has 10 years remaining on the term, it is automatically renewed each year so that there are always 10 years remaining.

In order to be eligible for an LCC, a property must first be in an *Agricultural Preserve*. To learn if a property is already in an existing Agricultural Preserve, please call the County Building and Planning Department. If the property is not already in an existing Agricultural Preserve, the owner can apply to create one at the same time he/she applies for an LCC.

### **What Is The Minimum Size For Eligibility?**

Minimum acreage sizes for LCC eligibility vary depending on the productive potential of the soil. The more productive soils result in smaller minimum size requirements. In order to meet the minimum size requirement, two or more parcels may be combined if they are contiguous or if they are under the same ownership.

Examples of minimum property size requirement for LCC eligibility are:

- 10 acres for coastal valley vegetable lands
- 20 acres for hillside orchards and vineyards

## **How Do I Enter My Property Into A Land Conservation Contract?**

The first step is to complete an application with the County Planning and Building Department. After the department's review, the application is then presented to the Agricultural Preserve Review Committee, the Planning Commission and then to the County Board of Supervisors for final approval.

It takes four to six months to process an LCC application.

## **What Are The Advantages And Disadvantages Of Placing My Property Into A Land Conservation Contract?**

The primary advantage for a property owner to enter into a contract is the potential reduction in the taxable value and resulting property taxes. Parcels with new contracts recorded by December 31 will begin to reflect changes in their taxable values starting with the fiscal tax year beginning the following July 1.

The primary disadvantage is that the landowner is prohibited from subdividing parcels into lots (or selling existing lots) that are smaller than the minimum size designated in the contract.

## **How Is The Property Valued For Property Tax Purposes?**

Agricultural land under contract, and any *living improvements* (i.e. commercial orchards and vineyards) on that land, are valued annually based on the typical income that could be generated from agricultural uses. A formula is used to convert the potential future income generated by the land, trees and/or vines to a present value.

The taxable value for *non-living improvements* (e.g. housing, barns, irrigation systems, trellises, pumps, and fencing) is established when the property is originally acquired (or when an improvement is completed). The non-living improvement value is then subject to a maximum 2% increase each year.

If there is a residential dwelling on the property, a separate site value is established for the portion of land used for residential purposes. This *homesite* value is based on small, residential acreage sales that occurred at the approximate time that the contract property was originally acquired. Homesite values are also subject to a maximum 2% increase each year.

Each year the Assessor reviews the following three values on properties under Land Conservation Contracts, and the lowest of the three becomes the taxable value for that year.

1) Proposition 13 value is the fair market value established at the time the property changes ownership. This "base value" then may increase up to a maximum of 2% per year. Any value for improvements (living and non-living) added to the property after it was originally acquired is added to the base value and is also subject to a maximum increase of 2% per year.

2) Restricted value is the value based on the potential future income of the agricultural land, orchard and/or vineyard, added to the indexed base values (Prop. 13 values) of the non-living improvements and homesites (if any).

3) Current fair market value (FMV) is the price as of lien date (January 1) that the property would be expected to sell for in an open market transaction.

*Sample comparison of the three values on a 100-acre vacant dryfarm property purchased in 2000 for \$400,000. Comparing the values for the 2002/2003-tax year:*

<u>Prop 13</u>	<u>Restricted</u>	<u>FMV 1/1/03</u>
\$416,160 *	\$20,000	\$480,000

\*\$400,000 value in 2000 factored upward at 2% per year to 2003.

**Taxable value would be \$20,000, the restricted value.**

*Sample comparison for a 100-acre dryfarm property improved with a residence. Property sold in 2000 for \$500,000, of which \$100,000 was attributable to the house. One-acre homesites in the area were selling for \$75,000 in 200. Comparing the values for the 2003/2004-tax year:*

	<u>Prop 13</u>	<u>Restricted</u>	<u>FMV 1/1/03</u>
Land	\$416,160	\$ 98,030 **	\$480,000
Improvements	<u>\$104,040 #</u>	<u>\$104,040 #</u>	<u>\$120,000</u>
Total	\$520,200	\$202,070	\$600,000

\*\* Includes \$75,000 homesite factored upward at 2% per year to 2003, plus \$20,000 restricted value of dryfarm land.

# \$100,000 house in 2000 factored upward at 2% per year to 2003.

**Taxable value would be \$202,070, the restricted value.**

## **How Might A Land Conservation Contract Be Terminated?**

There are three ways that a contract may be terminated.

- **Non-renewal.** This is the most common method for a landowner or the county to terminate a LCC. Once non-renewal is initiated by formal request from the landowner or the county, the countdown begins and the contract expires 10 years after the year in which the non-renewal request is filed. The property taxes will usually increase during the contract non-renewal period as the taxable value changes from the restricted value back to the Proposition 13 value. The total conversion in value occurs over the 10-year non-renewal period.
- **Cancellation.** This option requires the property owner's request. The request must be approved by the Board of Supervisors and, if approved, terminates the contract immediately. However, cancellation can be approved only under extraordinary circumstances as provided in the California Land Conservation Act of 1965. In

addition, there is a one-time penalty for cancellations amounting to 12½ % of the current fair market value of the property.

- Public Acquisition. LCCs become void for land that has been purchased through public acquisition by a federal, state, or local government agency for necessary public uses and facilities.